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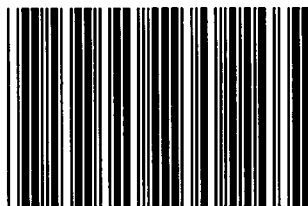
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BAUCUS

REMARKS BY SENATOR MAX BAUCUS
U.S. CHAMBER OF COMMERCE BOARD OF
DIRECTORS
FEBRUARY 26, 2001

Introduction

Thank you. I appreciate the opportunity to be
with you today, to talk about how I plan to
approach my work as the Democratic Ranking
Member of the Senate Finance Committee.

If you want to know how someone will handle a new job, you probably should look to see how they handled their old job. (For the past decade or so, I was the senior Democrat on another committee, the Environment and Public Works Committee.)'d like to think that my record there shows at least three things.

First, I had a close working relationship with my Republican counterparts, both with John Chafee, a moderate, and Bob Smith, a conservative.

I disagreed
Second, in some cases, (when the other side
~~went way too far~~, I opposed them. | Not angrily. | Not
with ideology. | But in a civil, respectful, and
appropriate way.

I'll give you an example. | In 1995, after the
Republicans took control of Congress, they made
some proposals that would have really weakened
certain environmental laws. | I agreed that reforms
were necessary, but felt that several of the
proposals were extreme. | So, yes, I challenged them.
~~those proposals.~~

But, third, that was the exception. | In the vast
majority of cases, | I have tried to be pragmatic | a
problem-solver. | On the Environment Committee, I
worked with Dirk Kempthorne | a Republican from
Idaho, to reform the Safe Drinking Water Act | and
the Endangered Species Act. | And I supported the
greater use of new tools, like cost-benefits analysis, | *Dirk is a prag-*
to improve our environmental laws. | *matist as well*

On the Finance Committee, | I was the first
Democrat to support Bob Dole's welfare reform
proposal, and one of the first to support permanent
normal trade relations with China.

I plan to take the same approach as the Ranking Member of the Finance Committee. I want to work very closely with our Chairman, Chuck Grassley. He's a good friend and a good Senator.

There will be times when we disagree. But, on the vast majority of issues, I hope that we'll be working on a bipartisan basis to find common-sense solutions.

Let me turn to the big issues before the Committee: taxes, health care, and trade.

The Tax Bill

I'll start with the issue that's foremost on
everybody's mind. || Taxes.

First of all, I'm for a tax cut. A large tax cut. ||
That goes to all taxpayers. || And I don't support it
grudgingly. || Or reluctantly. I support a tax cut
enthusiastically. || After all, the surplus is good news.
It allows ~~us to give~~ ^{to get} taxpayers some of their money
back.

But I won't try to kid you. I do have some concerns. As a general matter, I am concerned that the Administration is so fixated on a tax cut of \$1.6 trillion that it's digging in too deeply, making it hard to achieve a reasonable compromise.

On top of that, based on what I've seen so far, I am concerned that the President's proposal may cut taxes more than a cautious, conservative approach would dictate.

Let me explain ~~the reasons for my concern.~~

First, these ten-year projected surpluses may be less than meets the eye. A projection of what will happen that far off into the future is very uncertain. I don't know a business person who would lock in a dividend based on an estimate of how the company will be doing ten years down the road.

Second, we have to balance the need for a tax cut against some other priorities. Education.

Reforming Medicare to cover a prescription drug benefit. Expanding health insurance coverage in a careful, incremental way. Shoring up the Social Security system.

And, ~~yes~~, good old fashioned paying down the
debt.

We can't do everything that people want in
these areas. But we do have to consider all of the
priorities as we write the budget.

To my mind, the best approach is to enact a
solid tax cut. Certainly one that is as large as
President Bush has proposed for next year, the year
after that, and the year after that. But, probably,
somewhat smaller than he's proposed over the long
term.

That way, if the projected surpluses continue to roll in, we can take another look, and decide whether we can go further.

I also think we should think carefully about the distribution of the tax cut. Don't get me wrong. I disagree with those who seem to think that any tax cut that benefits upper-income Americans is a bad thing.

That's not where I'm coming from.

But there is a legitimate issue here.

About 80 percent of American workers pay more in payroll taxes than income taxes. And about 20 percent pay pretty hefty payroll taxes but don't pay any income taxes at all. These folks would not benefit, in any way, from the President's proposal.

Everybody agrees that we're not in a position to cut payroll taxes themselves because that would put Social Security and Medicare in greater peril.

But we can consider some innovative approaches, like a credit that can apply against either income taxes or payroll taxes.

That actually would broaden the President's
proposal, giving a tax cut to more people.

~~I haven't reached a firm conclusion on this~~
~~issue.~~ Several good proposals are on the table and
we should take a look at them. That's what our
upcoming hearings will be all about. But, clearly,
this issue is a legitimate part of the debate.

Health Care

Another big issue, during the budget debate, will
be health care.

By and large, there is a bipartisan agreement
that we should accomplish two important
objectives. We should expand Medicare coverage to
include prescription drugs, and we should do more
to help folks get health insurance for themselves
and their families.

But, after that, unfortunately, the agreement evaporates.

When it comes to Medicare, some insist that we should add prescription drug coverage to Medicare only if we reform the overall Medicare program. // Others want the drug benefit without any Medicare reform at all.

If we can get past the rhetoric, I think the solution is pretty clear. (We should add a prescription drug benefit to Medicare.

But, in doing so, we should rely as much as we can on market-oriented reforms. And we should take a hard look to see if we can streamline the health care bureaucracy.

So I can support Medicare reform. But I must mention one important condition. We've all seen reforms that work better in theory than practice. In some cases, rural areas, like my state of Montana, get hit especially hard. An example is airline deregulation.

That doesn't mean we can't have reform.

But it does mean that we have to look carefully,
before we leap.

Turning to health insurance, we again seem to
have a general agreement about the objective but a
disagreement about some important details. Some
folks insist that the only good approach is to expand
existing programs, like Medicaid.

Others insist, with equal vehemence, that the
only good approach is through tax incentives.

Once again, I think the solution is somewhere in the middle. A combination. A modest expansion of programs that work well, along with targeted tax incentives for taxpayers and small businesses.

Trade

Let me turn to another critical issue, trade policy.

I've spent a large part of my career, in the Senate, working to open markets and expand trade.

And I'm proud to have done this by working closely with the Chamber, which has so often been the leading advocate of a progressive trade agenda.

Years ago, when we began our long effort to establish normal trade relations with China, we didn't have many allies. But we kept at it. We made the case, and, together, we were able to pass a PNTR bill that is one of the most significant legislative accomplishments of the past decade.

The next big trade issue is restoring the
President's authority to negotiate trade agreements
under the fast track rules.

*I favor
NAFTA*

I have worked to win passage of fast track for
both Republican and Democratic presidents. I plan
to work to win passage again this year. But we all
must be realistic. We have been talking about the
appropriate role for labor rights and environmental
issues in trade negotiations for more than a decade.

The truth is that these issues are now on the
trade agenda and the only way to get fast track } --
certainly the only way to win approval for a trade
agreement -- is to meaningfully address these
issues.

As a policy matter, some people in the business
community disagree. I understand and respect that. //
ONE STILL HAS
But you still have to think about the political reality. //
ONE
From my perspective, if ~~you~~ take the position that
these issues absolutely should not be considered in
trade agreements or in fast track ONE you are, in effect, 15
saying that we shouldn't have fast track.

In the same vein, we need to clear the decks of current trade agreements before we move on to negotiating new ones. That means we must approve the U.S.-Jordan FTA.

I know that some in the business community have expressed concern about the Jordan FTA because it includes labor rights and environmental provisions in the agreement. In my view those fears are misplaced. The agreement doesn't obligate either side to do anything beyond enforce their own laws.

In any event, here again, saying no to the Jordan FTA is much like saying no to fast track. It is simply unrealistic to try to tear down current agreements and expect support in Congress for new ones.

Another important point. We've spent lots of time negotiating good trade agreements. But not enough time assuring that those agreements are enforced. That's got to change. Take China PNTR. After all, we didn't work so hard and long to help China. We did it to help U.S. companies and U.S. workers.

And that will only be the case if we insist that China comply with the agreements we have reached. The same goes for Japan, the EU, and other trading partners.

In this area, there is some cause for concern. Some in the administration have apparently been talking about killing funds for enforcing trade agreements, including the new trade agreement with China.

That is a mistake. If there is one lesson we
have learned, it is that trade agreements don't
enforce themselves. Unless we are willing to spend
time and resources to enforce the trade agreements
we strike, we shouldn't even bother negotiating
them.

Further, the few pennies that would be saved by
cutting these efforts don't even amount to a
rounding error in the federal budget. These cuts
simply make no sense.

Therefore, I hope you will join me in urging the
Bush Administration to provide the resources that
we need to assure that our trade agreements are
enforced.

Conclusion

As you can see, we have a busy agenda ahead
of us.

But I'm very optimistic.

President Bush has been reaching out.

Every have a

I've already met with him three times, and it ^{nickname} seems to me that he really wants to find bipartisan solutions. Most Democrats feel the same.

In the Senate, after all, we have to find bipartisan solutions. Think about it. For the first time in history, the Senate is evenly divided. Neither party really has an edge. If we're going to get anything done, we have to work together.

In that same spirit, I look forward to working, during the next two years, with you and with the U.S. Chamber. Thank you.